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ABSTRACT

In 1997, the American Association of Community Colleges conducted a survey was conducted to determine the extent to which community colleges have established foundations and to identify factors that lead to foundation success. For this survey, a foundation was defined as a financial vehicle comprising multiple sources of income, such as endowments, donations, or college-related business to support the needs of an educational institution. Survey results indicated that 92% of the responding community colleges reported either having an active foundation or starting one. In fiscal year 1995-96, community college foundations provided an average of more than $226,000 for scholarships, student and program support, facilities improvement, and other related expenditures. Other highlights of the 1997 survey include the following: (1) foundation value is directly related to a college's fall student enrollment; (2) only 22% of foundations rate direct mail as very important for fund raising; (3) personal solicitation for foundation funds is considered the most important foundation activity; and (4) successful foundations interact regularly with other offices on campus. Also discussed in this research brief are revenue, sources, expenditures, structure, leadership, and activities of foundations at community colleges. (Contains seven charts and two data tables.) (AS)

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Community College Foundations: Funding the Community College Future

AACC Research Brief

AACC-RB-98-3

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American Association of Community Colleges

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RESEARCH BRIEF

AACC-RB-98-3

FOUNDATIONS

Community College Foundations: Funding the Community College Future

By Kent Phillippe and Ida Roxanna Eblinger

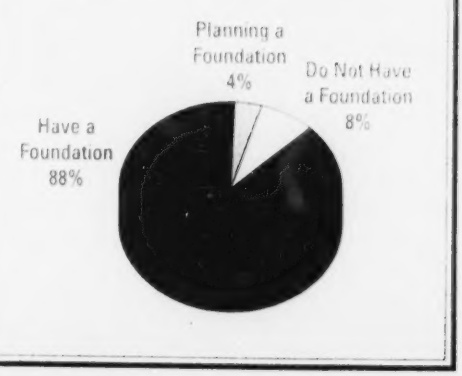
Executive Summary

In 1997, the American Association of Community Colleges (AACC) conducted a survey to determine the extent to which community colleges have established foundations and to identify factors that lead to foundation success. For this survey, a foundation was defined as a financial vehicle comprising multiple sources of income, such as endowments, donations, or college-related business, to support the needs of an educational institution.

Nearly all the responding community colleges reported that they either have an active foundation or are starting one (*Figure 1*). In fiscal year 1995–96 (FY 1996), community college foundations provided an average of more than $226,000 for scholarships, student and program support, facilities improvement, and other related expenditures. Following are other highlights of the 1997 survey:

- In FY 1996, the average market value of community college foundations was more than $2.1 million; the average foundation revenue was $546,811.
- About 75 percent of the foundations have an executive director; more than 50 percent employ full-time staff.
- Foundation value is directly related to a college's fall student enrollment.
- Although more than 75 percent of the foundations use direct mail for fundraising, only 22 percent rated it as very important.
- Although more than 50 percent of respondents rated the college president as "highly involved" in fundraising, executive directors and development officers were more often cited as "highly active" in personally soliciting foundation funds.
- Personal solicitation for foundation funds is considered the most important foundation activity.
- Successful foundations interact regularly with other offices on campus.

Figure 1 - Percentage of Respondents with a Foundation



Survey Background and Rationale

Over the past few decades, public community colleges have begun to rely more on private sources of revenue, as funding from public sources has shown a relative decline. Since 1980, state sources have declined the most, from nearly half of community college revenue to about one-third. Funding from federal and local sources has remained constant. In order to help control rising tuition costs, community colleges have tried to increase funding from other sources, such as private donations and endowments.[1]

Data available from the U.S. Department of Education's National Center for Education Statistics (NCES) suggest that many changes have occurred in community college foundations. NCES reports that the average value of community college endowments has more than doubled between FY 1989 and FY 1995 (NCES 1996). In FY 1989, half the endowments were valued at $226,171 or more; by FY 1995, half the endowments were valued at $521,748 or more. According to NCES, at the end of FY 1995, combined community college endowments totaled $1.36 billion.

In FY 1989, the largest public community college endowment was about $20 million; in FY 1995, the largest public community college endowment was $138 million. Even after adjusting for inflation, the average size of community college endowments reported to NCES has increased dramatically. In addition, many community colleges have initiated endowments. According to NCES, there were 175 more community colleges with endowments in 1995 than in 1989.

The NCES data provide a good estimate of the monetary value of endowments but little detail about how the foundations function. To address function, in 1992 the National Council for Resource Development (NCRD)[2] conducted a survey of community college foundations that not only gathered information on foundation values but also pointed out factors that foundation personnel identified as important to foundation success. According to the NCRD survey, just 30 percent of the respondents had foundations of greater than $1 million, and nearly half (47 percent) had foundations of $50,000 or less. Foundations valued at $1 million or more were more likely to support a staff member responsible for external resource development (Glandon and Keener 1994).

Respondents to the NCRD survey rated activities, conditions, and characteristics critical to the success of the community college foundation. The top-scoring "success factors" included personal solicitation, an annual campaign, and receiving an endowment. The top three "conditions for success" were an organized and focused plan, people orientation, and a clear statement of purpose. The three "characteristics" ranked most important were active presidential involvement, strong public relations, and the foundation's providing a source of student aid.

The NCRD survey questions provided a guide for the 1997 AACC survey, which likewise aimed to reveal success factors as well as the value of community college foundations.

1. Endowed funds are generally held as principal, from which the interest may be used as working capital.
2. Now known as the Council for Resource Development (CRD).

AACC Survey Response

AACC sent the 1997 survey to 1,241 public and independent community colleges, including two-year branch campuses of four-year institutions and district offices of community college districts. Responses were received from 631 colleges, for a response rate of 51 percent.

Of the colleges that responded, 585 (92 percent) were public community colleges, and five (less than 1 percent) were independent, for-profit institutions. Most responses came from single-campus colleges (62 percent), followed by multicampus colleges (24 percent). The other three institutional types—district office of a community college district, college of a multicollege district, and two-year branch campus of a four-year system—each accounted for 6 percent or less of the respondents.

Thus, the survey recipients were more likely to respond if they were multicampus colleges or single-campus colleges, and less likely to respond if they were part of a district or four-year college. Nonrespondent colleges were more likely to be smaller in size and more likely to be from a large city than from a small town or midsize city. Nonrespondent colleges tended to have higher percentages of minority students.

These differences suggest there was a systematic response bias, so the results may not accurately reflect all community colleges. Readers are advised against trying to apply these findings nationally.

Respondents with Foundations

The majority of respondents (88 percent) said their institution does have a foundation. About 30 percent of respondents without a foundation stated they are planning to establish one. Therefore, nearly all of the respondents have or are establishing a foundation on their college.

Foundation Value

Between FY 1995 and FY 1996 the average value of the responding colleges' foundations increased by 16 percent, from $1.8 million to $2.1 million. In FY 1995, 50 percent (median) of the foundations were valued at more than $1 million; in FY 1996 the median foundation value was about $1.1 million. These results represent a significant increase in values from those found in the NCRD study *(page 2)*.

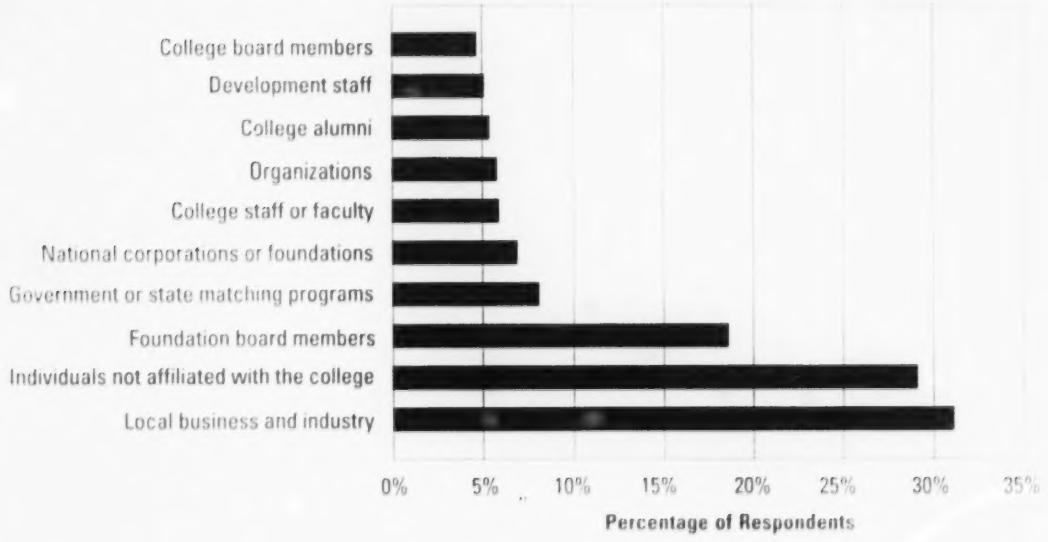
The 1997 survey reveals that foundation value is directly related to a college's fall student enrollment. This study produced insufficient evidence to show whether other college demographic factors, such as percentage of minority enrollment, location of the college, type of institution, or percentage of students aged 30 or older, have a significant impact on the value of the foundation.

Foundation Revenue

In FY 1995, the average income received by responding colleges' foundations was $424,380. In FY 1996, the average income increased by 29 percent, to $546,811. This increase was due in part to a particularly large gift to one institution (more than $38 million). Because one large gift can skew the average income, the median income may be a more accurate measure. The median income of the foundations increased by 17 percent between FY 1995 and FY 1996, from $225,000 to $262,964.

Revenue for community college foundations comes from several sources. Figure 2 shows which sources the respondents cited as major contributors. Local business and industry were cited most frequently (31 percent), followed by individuals not affiliated with the college (29 percent). All other revenue sources, including college board members, college alumni, and national corporations or philanthropic foundations, were cited less than 10 percent of the time as major contributors.

Figure 2 - Sources Cited as Major Contributors



Source: AACC Foundations Survey, 1997

The average amount of funds raised in 1996 ($546,811) exceeded the average goal for that year ($396,436) by 38 percent. This discrepancy may have resulted from unsolicited funds, which account for at least 16 percent of funds for half the foundations. The average fundraising goals for the community college foundations increased between 1996 and 1997 from $396,436 to $459,619 (16 percent).

About 21 percent of the colleges reported that their foundations have planned giving projections, which refers to future contributions by donors who have notified the foundation in advance of their gift. The average planned giving projection in 1997 totaled more than $1.39 million; the median was about $400,000.

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Endowed Funds and Working Liquid Capital

About half of all foundation values are in endowed funds. Ten percent of the colleges reported that none of their funds are in endowments. The majority of college foundations reported having more than one endowment, with an average of 24 for all community college foundations. Half the colleges reported that their foundations have 12 or more endowments.

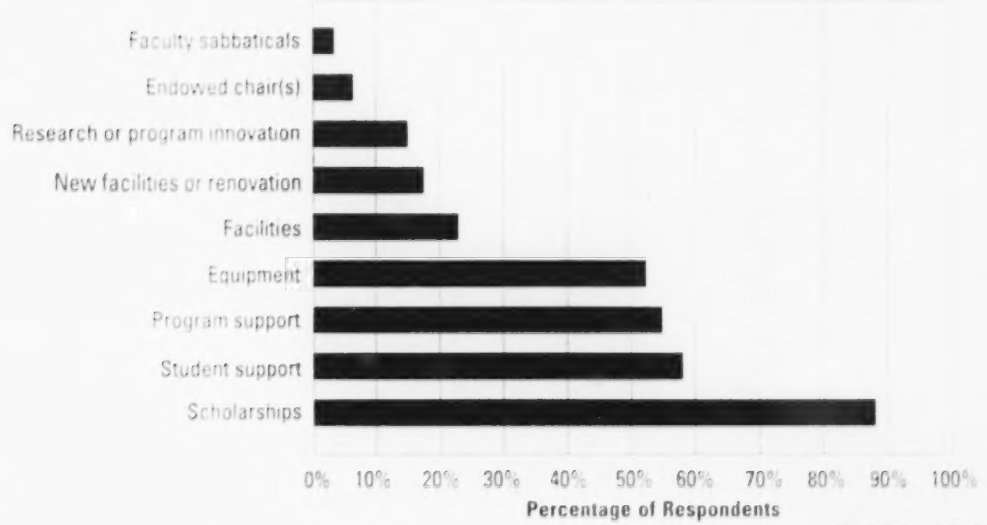
The amount of money the foundations have available to them (working liquid capital) varies considerably, with an average of $519,530 and a median value of $150,000. For most colleges, working liquid capital represents a small portion of total funds (average 33 percent, median 16 percent); however, several college foundations have 100 percent of their funds in working capital.

Foundation Expenditures

Community college foundations not only bring in money but also distribute funds for student services and college endeavors. The average amount of funds distributed steadily increased from $204,099 in 1995, to $226,272 in 1996, to a projected $286,991 in 1997. Likewise, the median value of the funds distributed showed a steady increase: $102,810 in 1995; $110,500 in 1996; and a projected $133,000 in 1997. Foundations distributed about half as much as they received each year.

Figure 3 illustrates how foundation funds are distributed. Most responding colleges (88 percent) use foundation funds for scholarships. More than half use foundation funds for student support (58 percent), for program support (55 percent), and for equipment (52 percent). About 23 percent of the colleges use foundation funds for facilities.

Figure 3 - Distribution of Foundation Funds



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Source: AACC Foundations Survey, 1997

The relative change of a foundation's value from year to year is an important measure of success for a foundation. This measure is influenced by the amount of revenue (including interest revenue from investments and solicited and unsolicited donations) and expenditures (including foundation operating expenses and distributed funds). The average change in value between 1995 and 1996 was $342,577; the median change was $164,651. The variance of foundation values ranged from a decrease of $4,329,640 at one college to an increase of $28,836,723 at another.

Foundation Structure

Foundation officials indicate that a foundation's effectiveness is related to aspects of its structure (Keener and Glandon 1993). The 1997 survey examined several aspects of a community college foundation, including its leadership, staff, and board, as well as the level of involvement of the foundation and college chief executives.

More than half the colleges with foundations (55 percent) have a separate development office, which is considered a success factor. For the purposes of this study, a separate development office was defined as an office with at least one person primarily responsible for fundraising. About 50 percent of the colleges with foundations reported having separate offices or buildings for the foundation itself.

A separate operating budget also is considered important to foundation success (Keener and Glandon 1993). Eighty percent of community college foundations have a separate operating budget. Of those with a separate budget, 44 percent receive funds only from the foundation, 47 percent receive funds only from the college, and about 8 percent receive funds from both sources.

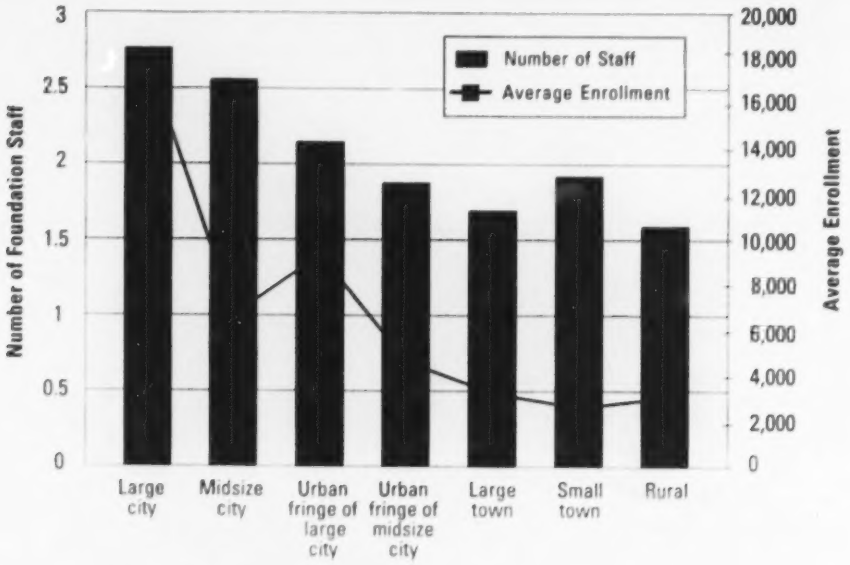
A strategic plan is a third critical factor for a successful foundation. Of the colleges who responded to this question, 39 percent stated that their foundation has a strategic plan. The total values for foundations with a strategic plan are larger than for those without a strategic plan ($2.6 million versus $1.7 million).

Foundation Leadership

Three-fourths of the colleges (77 percent) responded that their foundation has an executive director. For two-thirds of the executive directors (69 percent), the foundation is their sole responsibility. About half the foundations (51 percent) have a staff, ranging from one to 12 employees. Thirty-one percent reported having at least one part-time staff member, and 28 percent reported having at least one full-time staff member. Foundations sometimes use volunteers rather than, or to supplement, regular staff. In this survey, 28 percent of the foundations use volunteers in daily operations, and nearly all the foundations (93 percent) use volunteers for special fundraising activities.

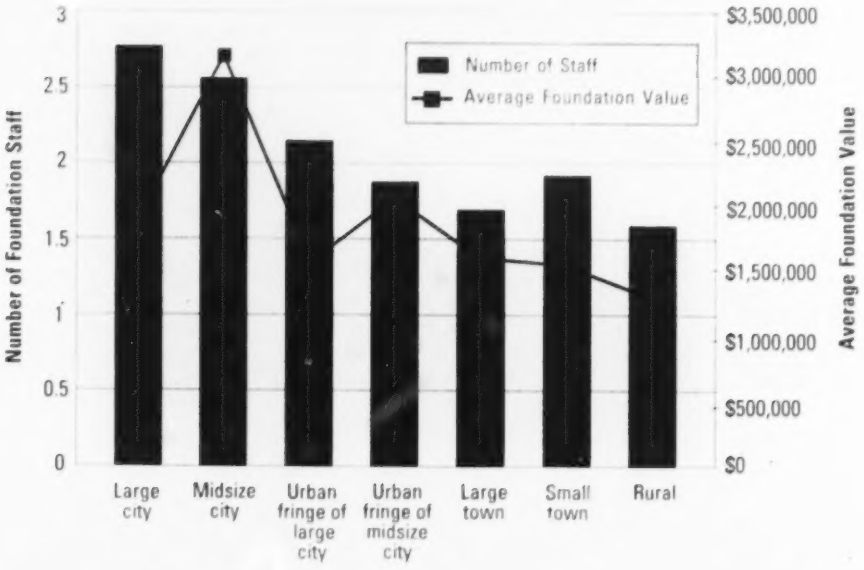
Figure 4 illustrates the relationship between the number of foundation staff and average fall enrollment for community colleges by location. Figure 5 illustrates the relationship between the number of staff and average foundation value by college location. These two charts suggest that the number of staff is more indicative of foundation value than it is of college enrollment, regardless of the college's location.

Figure 4 - Number of Foundation Staff and Average Fall Enrollment by Location of College



Source: AACC Foundations Survey, 1997

Figure 5 - Number of Foundation Staff and Average Foundation Value by Location of College



Source: AACC Foundations Survey, 1997

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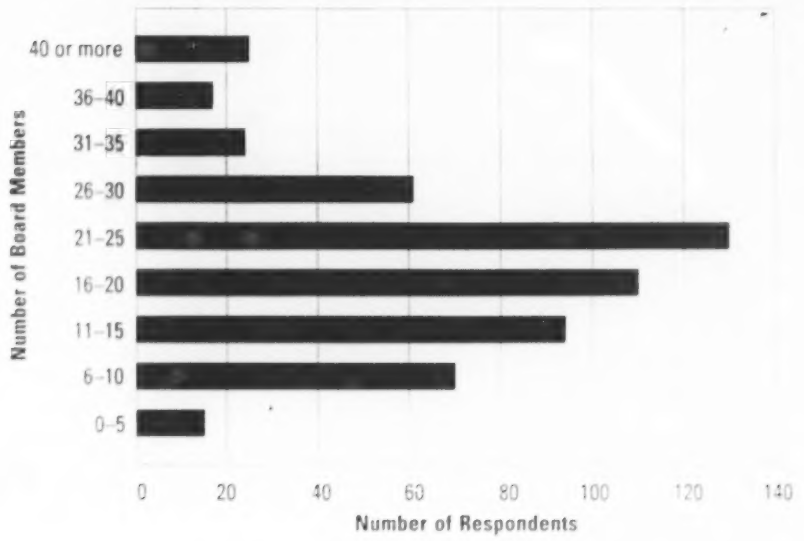
Foundation boards usually oversee the operation of community college foundations, and frequently the board is involved in investment advising as well as in other aspects of the foundation. In the 1997 survey, foundation boards showed considerable variance in size *(Figure 6)*, ranging from two members up to 110 members. Most boards, however, reported having between 10 and 36 members.

Figure 6 - Number of People Serving on the Foundation Board

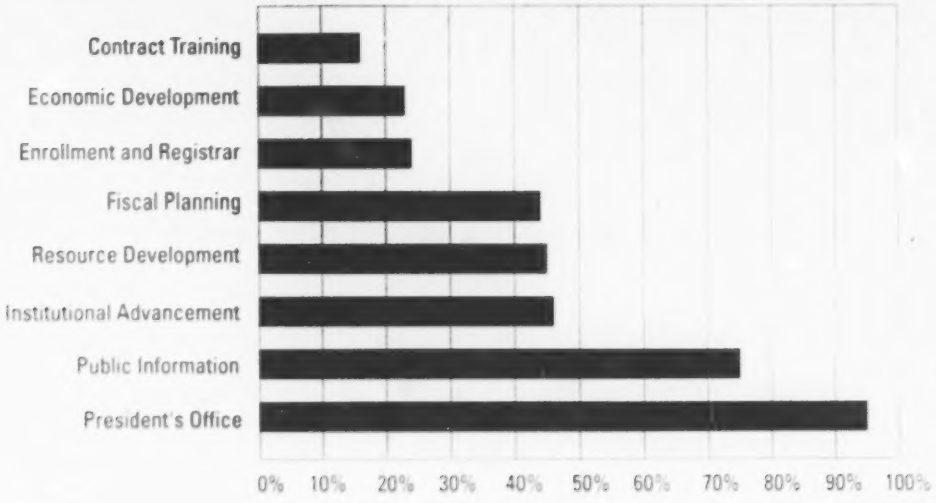


Source: AACC Foundations Survey, 1997

Foundation boards have varying structures. The two most common structures are 1) all board members are external to the college (39 percent), or 2) some members are from the college and some are appointed (32 percent).

According to the 1997 survey, almost all of the foundation offices interact with one or more other offices on campus on a regular basis. As Figure 7 shows, the most interaction takes place with the president's office (more than 94 percent), followed by the public information office (75 percent). About 45 percent of the foundation offices regularly interact with fiscal planning, resource development, and institutional advancement offices. Less than 25 percent of the foundation offices interact regularly with contract training, economic development, or enrollment and registrar offices.

Figure 7 - Offices with Which Foundation Interacts Regularly



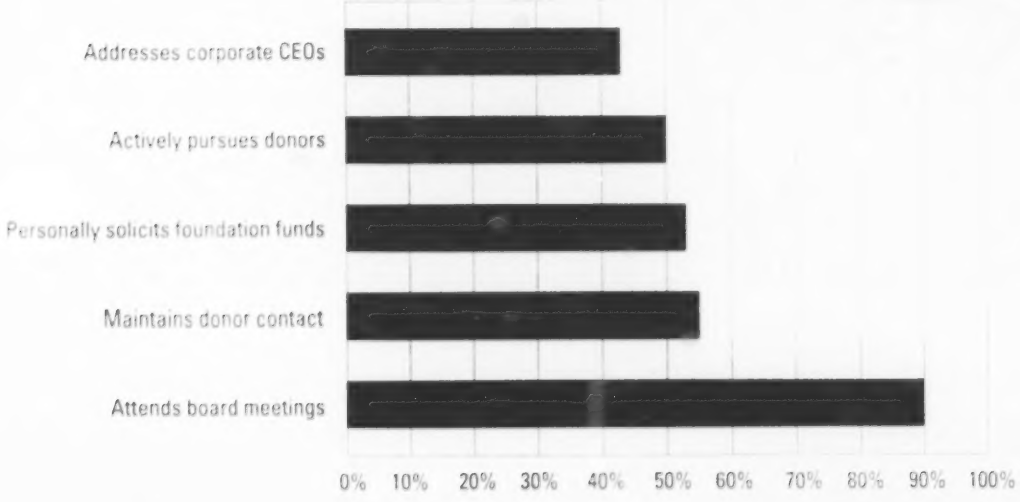
Source: AACC Foundations Survey, 1997

Presidential Involvement

The average tenure of chief executive officers (CEO) at responding colleges is 7.3 years. Half the CEOs have tenure of six years or longer; the longest tenure is about 40 years.

Figure 8 shows the percentage of colleges who rated their president as highly involved in foundation activities. Nearly all the presidents are involved in board meetings, and more than half are maintaining donor contact and personally soliciting foundation funds.

Figure 8 - Percentage of Colleges Rating President Highly Involved in Various Activities



Source: AACC Foundations Survey, 1997

Foundation Activities

Table 1 shows the percentage of foundations that use various individuals for personally soliciting funds. The foundation executive director or development officer is most likely to be active in soliciting funds for community college foundations. The college president, foundation board members, volunteers, and foundation staff are also among those involved in soliciting funds. Fewer than 3 percent of the colleges with foundations described foundation board members or the college president as inactive.

Table 1 - College Rating of Solicitors as Highly Active or Not Active

Solicitor	Percentage Rating Highly Active	Percentage Rating Not Active
Foundation executive director	59.5%	7.5%
Development officer	56.2%	11.3%
President	36.2%	2.6%
Foundation board members	30.1%	2.2%
Volunteers	15.8%	21.9%
Staff	5.2%	38.6%
Alumni	3.4%	34.1%
College board members	3.4%	28.3%
Fundraising company or consultant	3.3%	79.1%
Students	2.8%	53.4%
Faculty	2.4%	21.5%

Source: AACC Foundations Survey, 1997

Community college foundations use a variety of activities to raise funds for the foundation. These activities can be broken into two types, fundraising and friend-raising. Fundraising activities are specifically designed to generate funds. In 1995, community college foundations conducted an average 2.1 fundraising activities each; in 1996, an average 2.3.

Friend-raising activities are not designed to generate funds directly but are intended to make potential donors aware of the college and its foundation. The issue of money may not be discussed at such an event, although the possibility for future donations is enhanced. In 1995, community college foundations organized an average 3.2 friend-raising activities each; in 1996, 3.9.

Table 2 shows a range of activities used by colleges for fundraising, and the relative importance of each to college foundations. The top five activities in order of frequency are personal solicitations, direct mail solicitation, staff and faculty solicitations on behalf of the college, state and local business-and-industry solicitation, and an annual campaign. Ratings of importance relate to whether or not colleges use the activity. Personal solicitations, for example, are most frequently used (81 percent) and most frequently rated as highly important (71 percent). However, some exceptions occur. Although more than 75 percent of responding foundations reported using direct mail for fundraising, only 22 percent rated it as very important.

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Table 2 - Percentage of College Foundations Using, and Perceived Importance of, Various Fundraising and Friend-Raising Activities

Type of Activity	Percentage Using Activity	Percentage Rating Activity as Highly Important (5)	Average Rating of Importance (1-5)
Personal solicitations	80.7%	71.4%	4.5
Direct mail solicitation	76.6%	21.7%	3.2
Staff/faculty solicitations on behalf of college	74.1%	31.9%	3.7
State/local business/industry solicitation	73.9%	49.7%	4.2
Annual campaign fund	71.8%	46.4%	4.1
Solicitation of endowments	68.6%	45.9%	4.1
Proposals to private foundations	68.2%	28.6%	3.6
Alumni campaign	62.7%	19.9%	3.1
Estate planning/planned giving	62.3%	47.3%	4.0
Scholarship drives	59.3%	48.2%	4.1
Previous donors to attract future donors	59.1%	42.9%	4.0
Other special events	58.2%	17.0%	3.3
In-kind giving solicitation	57.3%	16.6%	3.1
Capital campaigns	52.9%	47.9%	3.9
National corporation solicitation	51.3%	14.3%	3.0
Academic contacts with business/industry	51.1%	24.3%	3.4
Golf tournaments	50.7%	17.5%	3.0
Benefit dinners	49.5%	19.0%	3.1
Web site	47.7%	9.8%	2.7
Telephone campaigns	47.3%	9.6%	2.4
Side businesses	15.2%	6.0%	1.9
Television campaigns	13.9%	4.9%	1.7

Source: AACC Foundations Survey, 1997

The majority of the foundations (86 percent) reported participating in public relations activities to achieve their objectives. Slightly more than one-third (35 percent) have a formal donor recognition program.

Conclusion

Community colleges have shown a marked increase in foundation activity over the past few years. The amount of funds raised and the number of colleges starting or revitalizing foundations have increased. Much of this revitalization is in response to the relative decrease in funding from other sources. While this study cannot speak to the current state of foundations in all community colleges, it shows that the respondents to the survey have strong to thriving foundations. Compared with the results of the NCRD survey of 1992, community college foundations have grown considerably.

The results suggest that a community college foundation needs active participation by the college president, an executive director, and a staff. The foundation needs to interact with other college offices. Most of the respondent colleges reported having foundations that are engaged in activities that foster success. These healthy foundations could provide a model or guidance for less established foundations.

Further analysis of this data may help reveal the relationship among the foundation structure, the health of the foundation, and a college's overall finances.

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